

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners: George Omas, Chairman;
 Tony Hammond, Vice Chairman;
 Dana B. Covington, Sr.; and
 Ruth Y. Goldway

International Mail Report

Docket No. IM2004-1

TENTH NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 2003

(Issued May 26, 2004)

In order to help the Commission prepare the report required by 39 U.S.C. § 3663, on the costs, volumes, and revenues of the Postal Service's international mail services, the Service is requested to provide the following information on or before June 3, 2004.

1. The following questions refer to the Postal Service's response to items 3.a. - b. of the Fifth Notice, concerning inbound Surface and Air Parcel Post.
 - a. In response to item 3.a., the Postal Service explained that the increase in unit attributable processing cost for inbound Surface Parcel Post was the result of "a 28% increase in volume and a 22% increase in weight" between FY 2002 and FY 2003. This explanation accounts for the 4.9 percent decrease in average weight, but, intuitively, unit cost should decrease, all other things

- constant, in response to a decrease in average weight. It also appears that the increase in unit attributable processing cost is greater than what would be expected by statistical variation. Please discuss other factors, such as specific changes made in FY 2003 to postal operations that might account for the increase in unit attributable processing costs.
- b. In response to item 3.b., the Postal Service explained that the increase in unit attributable cost for inbound Air Parcel Post was caused by a 3 percent increase in average weight. Here too, It appears that the increase in unit attributable processing cost is greater than what would be expected from either the change in average weight, or by statistical variation. The Postal Service further explained that proportionately more processing costs were attributed to inbound Air Parcel Post, mostly occurring in MODS pools 13 and 17. Please discuss operational changes that would affect the activities reported in MODS pools 13 and 17, or other changes that might have caused the increase in the proportion of total mail processing expenses attributed to Air Parcel Post.

It is ordered:

The Postal Service is directed to provide the items in the body of this Order on or before June 3, 2004.

By the Commission
(S E A L)

Steven W. Williams
Secretary